



WIRELESS TELECOMMUNICATIONS BUREAU

FACT SHEET

FEDERAL COMMUNICATIONS COMMISSION
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INFORMATION SHEET Multipoint Distribution Service

The Multipoint Distribution Service (MDS), popularly referred to as "wireless cable," is a service that permits the delivery of video programming to subscribers through microwave transmitting and receiving antennas. The channels allocated to MDS are generally used to provide a multichannel video programming service that is similar to cable television, but, rather than hardwire, MDS uses microwave frequencies.

The Federal Communications Commission (Commission) adopted rules to establish MDS in 1974. Additional channels were allocated to the service in 1983 and 1991, bringing the total number of channels available for MDS to thirteen. The frequencies allocated to MDS are as follows:

The Thirteen MDS Channels	
Channels	Frequency Bandwidth
1	□□□□ □ □□□ 824□
2 or 2A*	□□□□ □ □□□ 824□ □□ □□□□ □ □□□ 824□
E1	□□□□ □ □□□ 824□
E2	□□□□ □ □□□ 824□
E3	□□□□ □ □□□ 824□
E4	□□□□ □ □□□ 824□
F1	□□□□ □ □□□ 824□
F2	□□□□ □ □□□ 824□
F3	□□□□ □ □□□ 824□
F4	□□□□ □□□□ 824□
H1	□□□□ □ □□□ 824□

H2	□□□□ □ □□□ 82□
H3	□□□□ □ □□□ 82□
□ ☉ □ 13 □□□□ □ 8 □□ □□□□ □ 82□ □□□□ 13 □□ □ 13 □□□ □□□□□□□□ □ 13 □□□□□□□□ □□ □□ 13 □□□□□ 13 □□ 13 □□ 13 □□ □□□□□□□□ □□□□ 13 □□	

Previously, MDS conditional licensees were selected by lottery, which tended to slow the licensing process by encouraging speculative applications. In August of 1993, Congress passed the Omnibus Budget Reconciliation Act, which authorized the Commission to employ auctions to select from among mutually exclusive applications for various initial licenses. The Commission recently determined that MDS authorizations will be awarded through an auction currently scheduled to begin November 13, 1995. Each MDS authorization will permit the winning bidder to construct facilities on any usable MDS channels within each of the 487 Basic Trading Areas (BTAs) and six additional BTA-like areas in the United States and its territories. The 487 BTA service areas to be auctioned are based on the 1992 edition of the Rand McNally Commercial Atlas and Marketing Guide, 123rd Edition, and include the 50 states and the District of Columbia. The six additional BTA-like areas are:

San Juan, Puerto Rico; Mayaguez/Aguadilla-Ponce, Puerto Rico; Guam; U.S. Virgin Islands; American Samoa; and the Northern Mariana Islands.

BTAs, which were created Rand McNally and Company, represent the natural flow of commerce, and typically include a population center(s) and the surrounding rural area. BTAs vary in size and shape, and BTA boundaries are based on county lines. For more detailed information about the MDS auction, prospective bidders should refer to the MDS Bidder Information Package, which includes a list of the specific BTA authorizations to be auctioned and the *Report and Order* in MM Docket No. 94-131, PP Docket No. 93-253, 10 FCC Red 9589 (1995), recon. granted in part, Memorandum and Order on Reconsideration, FCC 95-445 (released Oct. 27, 1995) (MDS Report and Order).

Wireless Cable Systems

A wireless cable system generally operates on a combination of MDS and leased Instructional Television Fixed Service (ITFS) channels. ITFS channels are allocated to educational organizations and used primarily for the transmission of instructional, cultural, and other types of educational material to one or more fixed receiving locations. Wireless cable system operators often lease excess capacity from the ITFS licensees within the same service area. Twenty channels have been allocated to ITFS (Channels A1-A4, B1-B4, C1-C4, D1-D4 and G1-G4).

Wireless cable systems consist of equipment used to obtain video programming distributed by satellite and available off the air, and a microwave transmitting antenna to retransmit such programming to receivers with antennas, located on single family residences, apartment complexes, hotels, educational institutions, business entities and government offices. The range of the transmission depends upon the transmitter power, the type of receiving antenna and the existence of a line-of-sight path between the transmitter or signal booster and the receiving antenna. Because wireless cable depends upon line-of-sight, natural and man-made terrain obstructions, such as trees and buildings, can disrupt the transmission of the signal.

The Commission emphasizes that MDS is a service heavily encumbered by previously authorized and proposed MDS facilities. Currently authorized and previously proposed MDS stations must be protected against harmful interference within 56.4 km (35 mile) circles centered about their antenna site coordinates as of September 15, 1995. The fixed 35-mile protected service areas of MDS incumbents occupy a substantial amount of most BTAs and typically cross BTA boundaries. Receive sites of Instructional Television Fixed Service (ITFS) systems must also be protected from harmful interference.

Given the existence of many previously authorized and proposed MDS and ITFS facilities, it may be difficult, if not impossible, for auction winners to locate a station anywhere in certain BTAs so as to provide both interference-free service to subscribers and the necessary interference protection to incumbents. Most of the thirteen MDS channels have already been authorized in the largest metropolitan areas, especially for locations in the eastern half of the country. It is possible that no MDS channels remain available in as many as 59 of the top 100 ranked U.S. television markets. Furthermore, there are possibly two or less channels available in as many as 90 of the top 100 ranked television markets. **Potential bidders must therefore carefully ascertain the extent of incumbent operations and authorized but unconstructed facilities in any BTA prior to bidding.**

Construction Build-out Requirements

Following the auction, a BTA authorization holder must meet a five year construction benchmark. Specifically, each BTA authorization holder must submit a showing to the Commission five years after the BTA authorization is issued demonstrating that it is providing a signal level sufficient to provide adequate service to approximately two-thirds of the population of the area within its control in the licensed BTA. The holder of the BTA authorization must submit maps and other supporting documents showing compliance with this construction build-out requirement. The Commission, in evaluating this showing, may consider line-of-sight obstructions and the ability to provide service without causing harmful interference to other MDS or ITFS facilities.

Partitioning BTA Service Areas

The Commission will permit BTA authorization holders to partition portions of their BTA service areas along geopolitical boundaries to eligible parties, thereby allowing such parties to apply for usable MDS channels within that partitioned area. The construction period for the partitioned service area will be the remaining portion of the five year build-out period referred to above, and, at the end of this five year period, the holder of the partitioned service area must demonstrate that it is providing adequate service to approximately two-thirds of the population of the partitioned area.

Competitive Bidding

The Commission will award 493 BTA authorizations for MDS through a simultaneous multiple round auction. In this simultaneous multiple round auction, all authorizations will be offered at the same time. At the beginning of each round, bidders will submit bids on the authorizations that they are interested in acquiring and on which they are eligible to bid. After each round closes, the high bid amount on each authorization will be posted, and, following a bid withdrawal period, a new round will begin. This process continues until there is a bid submission round in which no new bids are placed on any of the 493 service areas.

Special measures are available in the MDS auction for entities that qualify as small businesses. These measures, which include reduced upfront payments, bidding credits and installment payments for winning bids, and the eligibility requirements for such measures are discussed in the Bidder Information Package and in the *MDS Report and Order*.

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The auction will begin on Monday, November 13, 1995. Applicants who filed their short-form applications (FCC Forms 175-M) electronically will have the option of submitting and withdrawing bids electronically or telephonically. Applicants who filed their FCC Forms 175-M manually must submit and withdraw bids telephonically. There will be no on-site bidding for this auction.

Copies of FCC documents, including public notices, may be obtained for a fee by calling the FCC copy contractor, International Transcription Services, Inc., at (202) 857-3800. Additionally, prospective bidders may retrieve some of these documents from the FCC Internet node via anonymous FTP@fcc.gov.

Consumer Alert

The public may receive solicitations to invest in MDS. As is often the case with any entrepreneurial opportunity, some unscrupulous entrepreneurs will most likely attempt to use the MDS auctions to deceive and defraud unsuspecting investors through telemarketing, infomercials or other advertisements. Investors are often guaranteed unrealistic profits in professionally prepared promotional material. Sales representatives make participation appear to be the "chance of a lifetime." Often, the brochures include actual copies of FCC releases, or quotes from Commission personnel, giving the appearance of FCC approval or knowledge of the solicitation. The Commission does not approve any individual investment proposal, nor does it provide a warranty with respect to any authorization being auctioned. Potential applicants or investors are reminded that winning an authorization in the MDS auction is not a guarantee of success in the marketplace.

Information about deceptive telemarketing investment schemes is available from the Federal Trade Commission (FTC) at (202) 326-2222 and from the Securities and Exchange Commission (SEC) at (202) 942-7040. Complaints about specific deceptive telemarketing investment schemes should be directed to the National Fraud Information Center at 1 (800) 876-7060, the FTC or the SEC. Consumers who have concerns about specific MDS investment proposals, or previous MDS investments, may also call the FCC Auctions Hotline at (202) 418-1400.

For further information, phone (202) 418-1400.